

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-210

May 26, 1998

MAINE PUBLIC SERVICE COMPANY
Application for Approval of
Issuance of Securities and Mortgage
Bonds (§902, §1101) (\$14,600,000)

ORDER AMENDING APPROVAL
OF ISSUE OF SECURITIES
AND MORTGAGE ON UTILITY
PROPERTY

WELCH, Chairman; NUGENT and HUNT, Commissioners

This Order approves MPS's request for increases in the issuance amounts of securities and mortgage bonds.

In an Order dated April 22, 1998, the Commission granted approval for Maine Public Service Company (MPS or the Company) to (1) increase the availability of its revolving credit line from the current level of \$10 million to \$13 million temporarily through June 30, 1999, and (2) to issue securities in an amount not to exceed \$11 million to finance the payment associated with the restructuring of its purchased power agreement with Wheelabrator-Sherman, a transaction approved by the Commission in Docket No. 97-727, on January 15, 1998. Our approval also allowed MPS to issue \$13 million in new first and second mortgage bonds to collateralize the notes. On May 18, 1998, the Company requested that the amount to be borrowed in relation to the Wheelabrator-Sherman portion of the transaction be raised from \$11 million to \$11.6 million. Also, MPS requested that it be allowed to increase the total amount of first and second mortgage bonds to be issued by a corresponding amount from \$13 million to \$13.6 million.

The reason for the increase in the loan amount relates to the size of the "capital reserve account" associated with the variable rate demand notes that will be issued. As described in our previous order, these funds serve as an insurance policy for the bondholders and the size of the account is determined by a rating agency at closing. It has been determined that a larger capital reserve account will be necessary in order for MPS and the Finance Authority of Maine (FAME) to obtain the originally targeted Aaa rating from Moody's. Increasing the reserve account by \$600,000 has an impact of less than 10 basis points on the overall projected borrowing costs for MPS. The Company's underwriter, Prudential Securities, currently anticipates a when-issued coupon rate of roughly 5.70% (down from 5.80% in our previous Order) on the notes, and after all issuance costs (and net interest costs on the reserve account) are included, the all-in cost would be on the order of 90 to 100 basis points (up from 80 to 90 basis points in our previous Order) higher for a total of 6.60% to 6.70%. This continues to compare favorably with current indications in the area of 7.00% for a fixed rate issuance *before* transactions costs.

Having reviewed the application of the Company, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the issuance of the bonds are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to 35-A M.R.S.A. §902(4), the Commission does not imply approval of the Company's capital needs or capitalization ratio for ratemaking purposes, nor does this order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, it is:

O R D E R E D

1. That the Maine Public Service Company is hereby authorized to issue its securities in connection with borrowing a sum not to exceed \$11.6 million to be used solely for the purposes described in our April 22, 1998 Order (Wheelabrator-Sherman contract restructuring) through the Finance Authority of Maine (FAME) for a term not to exceed 10.5 years. This paragraph supersedes Ordering Paragraph 2 in our April 22, 1998 Order.

2. That all other Ordering Paragraphs in our April 22, 1998 Order remain unchanged and in force.

3. That a copy of this Order be mailed to interested parties and this Docket is closed.

Dated at Augusta, Maine this 26th day of May, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: WELCH
NUGENT

COMMISSION ABSENT HUNT

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.